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EU-China relations and the limits of economic diplomacy

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Abstract This paper addresses a key problem in EU-China economic relations: the capacity of the EU to exert leverage through its economic diplomacy in the context of key economic trends, policy dilemmas, and processes of governance. The paper begins by identifying key elements of the EU's economic diplomacy and their relationship to key functions: deliberation, representation, communication, and negotiation. It continues by reviewing key trends and challenges in EU-China economic relations, in terms of trade, finance/investment, and broader issues of economic performance, with special reference to the problems emanating from the current economic turbulence both in the EU and in the broader global political economy. It then identifies a number of key policy dilemmas for the EU in areas such as trade defense/trade promotion, environment/development, security/commercial priorities, investment/sovereignty, and explores these in terms of three key concepts: orientation, coordination, and effectiveness. In pursuing this analysis, the paper relates these trends and dilemmas to attempts to govern EU-China economic relations: public/private, bilateral/multilateral, and regulatory/political. In the final section of the paper, these efforts are evaluated in the context of the EU's economic diplomacy, with relation to key actors, processes, and outcomes and to the key functions of deliberation, representation, communication, and negotiation.

Introduction

The EU's "China problem" has become a major preoccupation of EU policy makers during the past decade. Encompassing a large and politically sensitive deficit in manufacturing trade, a growth in mutual investment relations, and the presence of important environmental and human rights considerations, the problem is compounded by differences in political cultures and institutions and by broader developments in the global political economy. As such, it falls in some respects squarely into the broader problem of the EU's relations with "rising powers" and the problems encountered in

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framing consistent and effective responses to the challenges they pose (Smith 2013; see also Breslin 2013).

In important respects, though, the “China problem” is distinctive (Casarini 2013). The sheer scale of the commercial relationship, and the unevenness of the balance of costs and benefits that it produces, are important elements in this distinctiveness. These elements, in turn, give rise to significant commercial disputes involving both sectoral and systemic components—that is to say, they involve material processes and interests, but they also touch on the development and functioning of the global political economy in the broader sense. Despite attempts to cast the EU-China relationship as a “comprehensive strategic partnership” (see for example the Conclusions of the September 2012 EU-China Summit, European Commission 2012), this tension between issue-based disputes and broader principles of international economic behavior persists, and is at the core of EU-China relations.

Alongside these key elements goes another—the focus of the relationship on what can be termed economic diplomacy. There is a complex but asymmetric relationship of interdependence between the EU and China, giving rise to planned and unplanned linkages, and to differential perceptions of sensitivity and vulnerability (Smith and Xie 2009). In these conditions, the EU’s response is concentrated particularly in the area of economic diplomacy. This is not peculiar to the EU—the Chinese government itself has recently developed institutional devices to underpin a more coordinated and consistent economic diplomacy, and to assist it in framing its trade strategies (China Daily 2012; for background, see Wu 2007) But the EU, and before it, the European Communities, have a long tradition of economic diplomacy, and arguably economic diplomacy is still the key attribute of the EU as an international actor.

What is economic diplomacy? A basic definition might see it as the economic expression of the central elements of diplomacy in general: of deliberation, representation, communication, and negotiation. Beyond this, there might be two further dimensions to the phenomenon: the first would see economic diplomacy as the pursuit of diplomacy with economic weapons, for example through economic sanctions, while the second would present it as diplomacy centering on economic issues, and thus defined by its concern with the management of trade, investment, and other commercial relationships. While the first of these dimensions is clearly significant to the development of EU diplomacy in general, the concern in this article is largely with the second: that is to say, with economic diplomacy as a response to the demands of the EU-China economic relationship and as a means of structuring and managing that relationship. The key question the article is trying to explore is thus: how has the EU developed its economic diplomacy in response to the economic and commercial challenges faced in EU-China relations, how effective has that diplomacy been, and how does it reflect the EU’s broader development as a diplomatic actor in a globalizing world?

The article begins by identifying key elements of the EU’s economic diplomacy and their relationship to key functions: deliberation, representation, communication, and negotiation. It continues by reviewing key trends and challenges in EU-China economic relations, in terms of trade, finance/investment, and broader issues of economic performance, with special reference to the problems emanating from the current economic turbulence both in the EU and in the broader global political economy. It then identifies a number of key policy dilemmas for the EU in areas such as trade defense/trade promotion, environment/development, security/commercial priorities,

investment/sovereignty, and analyzes them in terms of three key concepts: orientation, coordination, and effectiveness. In pursuing this analysis, the paper relates these trends and dilemmas to attempts to govern EU-China economic relations: public/private, bilateral/multilateral, and regulatory/political. In the final section of the paper, these efforts are evaluated in the context of the EU's economic diplomacy, with relation to key actors, processes, and outcomes and to the key functions of deliberation, representation, communication, and negotiation.

The EU and economic diplomacy

As noted above, the EU has a long history of economic diplomacy. Indeed, for many purposes, economic diplomacy has constituted the major external expression of the EU's weight in the global arena (Smith 1998, 2001). The essential underpinnings of this claim are two: first, that from the outset the European Communities embodied a commitment to the integration of external commercial policy, and second, the internal development of the European economic integration project gave the material foundation for the exercise of economic influence in the outside world. Central to this influence from the start was the Common Commercial Policy, which over more than 50 years of the project, has expanded to encompass not only trade in goods but also trade in services, intellectual property issues, and a range of other central regulatory functions (Meunier and Nicolaidis 2011; Young 2002; Young and Peterson 2006; see also Damro 2012). Alongside this policy foundation are a variety of other external policies relying explicitly or implicitly on the EU's economic weight in the global arena: development policy, environmental policy, transport policy, some aspects of energy policy, and so on (Smith 2007). So, the external policy activities of the EU are, in many respects, dominated by economic considerations and by the use of economic instruments in a broad sense.

From the outset also, the institutional framework for the conduct of the European project's external policies has been dominated by the focus on external economic relations. The Common Commercial Policy, as noted above, has expanded its reach, but is still centered in Directorate General (DG) Trade within the European Commission (and not significantly within the European External Action Service established in the wake of the Lisbon Treaty). The use of economic instruments such as development assistance, economic sanctions, or commercial agreements, has expanded to constitute a sophisticated armory of inducements and potential punishments for external partners or "targets." Although the Lisbon Treaty promised the merging of all of the EU's external policies and instruments into a more general framework for "external action," in many respects, this has not (yet) been achieved and economic diplomacy remains a distinct and distinctive area within the institutional architecture, buttressed in this status by specificities of culture and practice that resist treaty change and reform. This is not to say that the structures of economic diplomacy have not changed: rather it is to note that they retain a very distinct position within the EU's international personality and "actorness," and that this is the key to an understanding of EU-China economic relations.

If we can argue that there remains a very distinct EU system of economic diplomacy, what then can we say about its operating principles? Steven Woolcock, in a recent

extended study of the area, has identified three core elements as constituting economic diplomacy within the Union: decision making, negotiation, and policy effectiveness (Woolcock 2012; see also Bayne and Woolcock 2011 for a more general discussion of the “new” economic diplomacy). The first two of these are descriptors of EU activity and the framing and implementation of policy; the latter is at least in part an evaluative category that enables the analyst to arrive at some judgments on the impact of EU policies and the extent to which they match up to the claims made for them. The implicit argument is that the quality of decision making and of negotiation in and by the EU is central to the establishment of policy effectiveness. Woolcock goes on to apply this model to a range of EU policy domains and to identify key variations in the effectiveness of EU activity.

Woolcock’s framework, though, actually invites the analyst to go further and to ask a number of key questions about why and how decision making, negotiation, and the pursuit of policy effectiveness take place. One key area in which it can be pushed further is that of the framing of economic diplomacy. At one level, this is a matter of procedures. It entails the provision of an institutional framework, of key resources (human and non-human), of coordination mechanisms, and of implementation pathways. But each of these procedures is subject to contestation within the EU. The institutional framework produces tensions despite (or perhaps because of?) the Lisbon settlement, between the “economic” imperatives of Commission-centered bodies and the “political” priorities of the European External Action Service (EEAS) and others. Resources, especially during a period of austerity throughout the Union, are scarce and subject to fierce disputes, not only within the Brussels framework but also between Brussels and member states. Coordination, as a result, can be less a matter of procedure than one of political contestation and “turf wars.” And finally, implementation, whether or not agreed upon and coordinated within the EU, has to take place in a turbulent world in which a number of “great powers,” including China, may not be amenable to EU influence and in which the growth of transnational networks may simply make solutions inaccessible to economic diplomacy of a conventional type.

Alongside this set of material constraints goes another—the problems of understanding, trust, and responsiveness that ultimately condition the impact and effectiveness of economic diplomacy. Very often, of course, these issues intersect with those more material constraints outlined above—where they do, they can reinforce or undermine the effectiveness of the diplomatic process. Rather than a set of procedures, diplomacy here can be conceived of as a set of social processes. The five elements that seem to be central are those of deliberation, representation, communication, negotiation, and feedback/adjustment or learning. In the first place, economic diplomacy is a process of deliberation in which alternative views of the “problem” are aired and in which a variety of actors within the EU are engaged; it is not simply a technocratic process of identifying the relevant regulations or procedures and then applying them. It involves domestic politics, as well as the politics of the EU as a whole. And it concerns the culture of decision making as well as its material aspects. In the same way, the process of representation could simply be a question of “our man/woman in Geneva (or Beijing),” but it actually raises important questions about how and by whom the EU is represented to the outside world. Communication is not simply a procedural matter: it concerns the framing of issues and messages that are then subject to mediation, interpretation, and transformation by the channels through which they are presented

or by the “target.” Negotiation must be seen not simply as a technical process but also as a process of mutual learning, the shaping of expectations, and the generation of trust (or of course, mistrust) on the part of those involved; and in the EU, of course, negotiation goes on within the Brussels institutions or between them and the Member States as well as between Brussels and the outside world. Finally, processes of feedback, adjustment, and learning are partly built formally into the EU architecture (in the shape of policy evaluation and “lessons learned” procedures), but equally significant may be the less formal processes of social learning that are undergone by the participants in diplomatic processes such as those that take place around the World Trade Organization (WTO) in Geneva, or in target countries between EU delegations and the host country policy community.

What this means is that the EU’s economic diplomacy is surrounded by a host of formal and less formal shaping forces. The institutional architecture and formal procedures are important but so too are less formal but equally powerful social forces. Nor must one forget the force of history: the EU’s economic diplomacy has a 50-year “back story” and this is a key shaping factor for those who see themselves as the heirs to this legacy. At the same time, the impact of current policy preoccupations and of broader social and economic forces must be taken into account—especially, in current circumstances, the impact of financial and broader economic crisis in the EU, which puts it into a distinctive position among the world’s economic “great powers.” If the EU is a “power” in this context, it is a unique one: a hybrid actor, in which not only the Brussels institutions matter but also do the Member States, who have a persistent and even growing role. The Lisbon Treaty was aimed at resolving some of these contradictions, but in many ways, it has failed to do so—partly due to the accumulated historical legacy referred to above (Smith 2012).

As a result, the EU’s economic diplomacy is more a space of contestation than a settled set of procedures. And this matters when we come to consider the EU’s economic diplomacy towards China, because in dealing with a dynamic and potent economic challenger, one would expect that the fault lines and tensions within the EU’s system of economic diplomacy might come to the fore. The next section of the paper will address, in more detail, the nature of the challenges posed by EU-China relations.

The challenge of EU-China relations

As noted at the beginning of the paper, EU-China relations encapsulate some of the key challenges facing the EU in its economic diplomacy, and in a concentrated form. Other relationships, such as that with the USA, may be more comprehensive and longer-established, yet the dynamism and trajectory of EU-China relations are a compelling fact of the EU’s external environment. But what are the key components of this challenge and how do they add up to a test of the EU’s capacity for economic diplomacy? In this section, I identify four key elements, and show how they feed into a general challenge.

The first element is what might broadly be termed as “institutional factors.” The system of relations that has grown up between the EU and China has become increasingly dense and institutionalized, at a number of intersecting levels. This phenomenon of multi-level interactions and institutions has been noted by a number

of commentators on the relationship (for example Algieri 2002, 2008; Smith and Xie 2011), and it extends from the regular (at least in principle) summits between EU and Chinese leaders, through high-level dialogues of which the most relevant here is the High-Level Economic and Trade Dialogue, to a wide range of sectoral dialogues, working groups, and networks composed not only of government and EU representatives but also of independent experts and industry representatives. There is thus a set of what might be called “peak organizations” framing EU-China economic diplomacy, but these are increasingly surrounded by an infrastructure of specialized economic and commercial bodies dealing with a wide range of regulatory and other issues on a continuous basis. Alongside this EU-China institutional structure, it is important that the Member States of the EU retain active economic policies towards China, and that they are capable not only of forming independent strategies expressing their specific preferences, but also of pursuing these through a variety of mechanisms (Fox and Godement 2009; see also Ross et al. 2010, Part 2). It is significant that although EU-China relations can be and are described as a form of “strategic partnership,” a similar label can be and has been applied to relations between a number of key Member States and Beijing. Finally, as touched upon above, alongside the Brussels institutions and national governments, there is an expanding range of networks and specialized relationships that effectively constitute a form of “private governance” in EU-China relations. These three sets of relations—Brussels-Beijing, Member States-Beijing and private networks—are interrelated, but they are not always complementary and they can provide evidence of the fragmentation of the institutional framework for EU economic diplomacy.

A second set of factors that must be considered when evaluating the challenge to EU economic diplomacy posed by EU-China relations is what might be termed “material factors.” By this, I mean substantive dimensions of policy that generate real clashes of interest and thus require the attention of policy makers on both sides of the relationship. The most obvious of these is trade, and specifically, the rapidly growing but unbalanced trade between the EU and China (which here is taken to encompass trade in goods and services, and trade-related aspects of intellectual property). There is no need here to reiterate the arguments that have been made about the composition and impact of this trade problem, but it should be noted that they cut across all three of the institutional dimensions noted above—Brussels-Beijing, Member States-Beijing, and private networks. They generate complex and often mismatched sets of preferences which can lead to the fragmentation or the paralysis of EU policy making, and thus are key constraining factors in the practice of EU economic diplomacy. In particular, they have led to problems in concluding key economic agreements as part of a broader “strategic partnership” (Holslag 2013). I will explore these issues further below, but the key point here is the cross-cutting nature of the impacts of the trade imbalance.

Trade, though, is not the only area in which the dynamics of the EU-China relationship can pose a severe challenge to EU economic diplomacy. The Lisbon Treaty extended the Union’s competence in external commercial issues to cover investment relations, and thus created a new potential set of pressures for the Brussels institutions. It is fair to say that the implications of this extension of competence are still being worked out, but they have led to calls for a new investment treaty between Brussels and Beijing, to replace, in principle, the vast range of bilateral agreements between China and EU Member States. Not for nothing has Sophie

Meunier argued that this produces a situation in which “divide and rule” can be practiced by Beijing, almost without it being a conscious strategic choice (Meunier 2013; see also Parello-Plesner 2013, and for a positive interpretation, Jiang 2013). Beyond investment, there is a series of areas that might be given the umbrella label of macro-economic management and that constitute a major contextual factor for EU economic diplomacy—especially, it might be argued, in the current situation of economic and financial crisis within the Euro-zone. Both investment and macro-economic management are accompanied on the agenda of material factors by issues such as environmental policy and energy policy, both areas in which the EU has a good cause to want something from the Chinese, but both areas in which the Chinese have very definite material interests of their own (Lee 2013). All of the areas outlined above are also linked to a core EU concern with competitiveness, which has found direct expression in external EU trade strategy under the umbrella of the *Global Europe* program adopted in 2006 and since revised.

The EU-China relationship thus focuses in a concentrated way on a number of important material considerations. But at the same time, it is inseparable from problems noted earlier, which might be summarized as cognitive factors—those of trust, responsiveness, and learning. For economic diplomacy, these are key considerations, since they penetrate to the core of the processes of communication and negotiation and thus also into areas of policy implementation. Although they are less tangible than the material factors dealt with above, they can be crucial in conditioning the perceptions, expectations, and understandings that are derived from EU-China interactions. It has been noted on many occasions that there is a cultural divide between the EU and China, and that from an EU perspective, this plays into the problem of introspection—that is to say, into the tendency within European institutions to define problems in terms of EU needs and institutional formula rather than on the basis of a deep understanding of the target country or region (Smith and Vichitsorasatra 2007). Despite EU efforts to generate programs designed to train and develop expertise relevant to EU-Asian and particularly, EU-China relations, the jury is out on the effectiveness of European attempts to raise levels of cultural awareness and sensitivity. This is important not least because of the chain of communication between Brussels and EU delegations which carry out the day to day economic diplomacy that is core to EU-China relations. That chain of communication has been disrupted since the Treaty of Lisbon by the handing of responsibility for these delegations to the EEAS—even where they remain staffed predominantly by those with a deep background in the Commission and specifically, DG Trade. So, it is not surprising that one of the problems faced by EU economic diplomacy is that of framing appropriate understandings and expectations of Chinese behavior and of the ways in which European behavior is received and responded to by Beijing.

A final set of forces operating to condition EU-China economic diplomacy is that of the broader global political economy, and of what might broadly be termed environmental turbulence. There is no need to describe in detail the key features of the turbulence that has threatened to destabilize both the system as a whole, and individual national economies during the past 5 years. But it is important to recognize that some of these destabilizing features were present before the financial crashes of 2007 and 2008, and that they are closely linked with the general impact of globalization. The effects of these forces are multiple, but for the purposes of the argument here, it is possible to

identify four in particular. First, there has been severe pressure on the global institutional frameworks for economic diplomacy, and thus on the contexts within which large parts of EU-China relations are conducted. Second, and related, there has been enormous pressure on the rules of international economic diplomacy, and the rules around which diplomatic activity is centered—in other words, the global regulatory and governance structures that are the subject of almost continuous negotiation, and which shape the standards of appropriate behavior for actors within the global political economy. Third, the rise of new economic powers has meant an often wrenching series of changes and perceptions of asymmetry within the global political economy, affecting everything from patterns of trade in natural resources to the perceived advantages and disadvantages of protectionism or privileged partnerships between both old and new powers. Finally, there has been an increasing apparent mismatch between notions of “sovereign” and “post-sovereign” strategies in the global political economy, and thus between the kinds of norms assumed or appropriated by bodies such as the EU and those espoused by new, emerging, or re-emerging economic powers (Smith 2013). In the specific case of China, as recently argued by David Shambaugh, the nature—scope and depth—of its power may be contestable in some respects, but its impacts on perceptions in a turbulent global arena have been extensive (Shambaugh 2013).

All of this adds up to a set of major and often severe pressures on the practices of economic diplomacy in general—and these pressures are concentrated by the changing pattern of EU-China relations. The stakes are high for both parties, since while the EU both needs and is apprehensive about China, the Chinese equally need a robust and open Europe into which to project their exports and—increasingly—their investments (see for example Erixon 2012; Westad 2012). The implications for economic diplomacy are not only tangible and material, but also intangible and linked to key understandings about the nature of the global political economy and the EU’s place within it. That place is challenged by the more general crisis around the Brussels institutions and the EU’s standing as an economic “superpower;” it is also linked strongly to the role of other economic powers, and specifically, the USA, which is not only the EU’s longest standing strategic partner but also a key competitor in relations with the Asia-Pacific and with China itself (Pawlak 2012). The result is a series of dilemmas for EU economic diplomacy, which will be explored in the following section of the paper.

Dilemmas of EU economic diplomacy

Thus far, the paper has identified the key aspects of economic diplomacy, specifically with relation to the EU, and outlined some of the key issues affecting the EU’s economic diplomacy that have arisen in EU-China relations. In this section, I argue that the issues previously described give rise to a series of dilemmas for the EU, which reflect and affect its capacity to practice effective economic diplomacy towards China. These dilemmas fall into three main areas: dilemmas of diplomatic orientation, dilemmas of diplomatic coordination and focus, and dilemmas of diplomatic effectiveness and impact.

First, the EU faces a number of *dilemmas of diplomatic orientation* when dealing with China. One of the central dilemmas in this area is one that has dogged EU economic diplomacy from the outset: the tension between the pursuit of trade defense

and that of trade promotion. As has been noted by a number of studies, EU external commercial policy has been characterized by enduring tensions between Member States whose priorities lie either in the defense of EU economic interests against external threats or the pursuit of an open trading system in which the EU can gain from market opening on a multilateral basis (Woolcock 2012; Smith and Woolcock 1999; Smith 2001). This is sometimes characterized as a north–south divide among the Member States, with those in the north prepared to pursue trade liberalization almost whatever the cost and those in the south much more prone to bouts of protectionism. The case of China opens up this debate in a very direct way, especially given the differential vulnerabilities of EU Member States to the “Chinese threat” as exemplified in the textiles dispute of 2005 and after (Smith and Xie 2009). But this is not the only dimension to the problem: there is also a key area of tension between producers and consumers that runs across national or regional boundaries, and which sees retailers at odds with producer organizations on a European scale. One thing is clear: this dilemma has been exacerbated by the impact of the financial crisis in the EU, which has given rise to renewed fears of protectionism. Such fears are a potent shaping force for EU economic diplomacy, and the contradictions to which they can give rise were particularly apparent in the EU-China trade dispute relating to solar panels in mid-2013. This created severe cleavages on both the Member State and the producer/consumer dimension, and threatened collateral damage to transatlantic trade relations (see for example (Carnegy et al. 2013; Bradsher and Eddy 2013)).

Another dilemma of orientation that is raised by EU-China relations relates to the tension between environment and development (or recovery) as potential priorities for EU economic diplomacy. This again is a tension that runs through large areas of the EU's external economic relations: is the emphasis in relations with key commercial partners to be placed on modernization and growth (and thus on EU access to growing markets), or is it to be placed on environmental sustainability? Since environmental sustainability is a key normative commitment of the EU, reflecting both internal policy and issues of European identity, it is not surprising that this has raised important questions for economic diplomacy. In the case of EU-China relations, it is accompanied by the feeling that China's rapid economic growth has been bought at the expense of environmental quality, for example, through the use of coal for power generation, and this, in turn, puts additional pressure on negotiators in a variety of arenas (Lee 2013). There is evidence, though, that the Chinese themselves have grasped the potential for economic advantage that lies in the active pursuit of environmental sustainability, and thus, that the EU, whose own attempts to establish viable emissions trading schemes and other environmental programs have seen patchy success, might be outflanked in this area.

A third key dilemma of orientation experienced by EU economic diplomacy is that caused by the tension between commercial and “political” objectives. This is not simply a general contextual factor for EU economic diplomacy in relation to China; it also penetrates to the core of the institutional tensions mentioned earlier. The priority of DG Trade in the European Commission is just that—trade, preferably untainted by security, humanitarian, or other more directly political considerations. The institutionalization of the differences between the trade policy community and the more political aspects of diplomacy that was noted earlier plays directly into the resulting problems of prioritization, and the relationship between the EU and China focuses this dilemma

very strongly. To take only two examples: the increasing Chinese activity in sub-Saharan Africa is part of a broader trend towards the securitization of development policies, and also plays into concerns about access to raw materials on the part of the EU, while the linkages between human rights issues and trade with China remain powerful, specifically in relation to the status of Tibet or the position of national minorities in certain parts of the country.

A final dilemma of orientation for EU economic diplomacy is the tension between the need for Chinese investment in a number of EU countries and the desire to maintain sovereignty in the light of financial crisis. As Sophie Meunier has pointed out, the rapid growth of Chinese investment in the EU—albeit from a low level—has taken place at a time when competence for investment, as part of external commercial relations, has been acquired by the Union via the Lisbon Treaty, but when there are also powerful national positions and national differences among EU Member States on such issues (Meunier 2013). The dilemma expresses itself in different national practices and different degrees of openness to Chinese investment, and potentially at least lays the EU open to explicit or implicit “divide and rule” tactics on the part of the Chinese. In such a situation, the problem for those pursuing an investment treaty between the EU and China is that there is no obvious incentive for the Chinese to negotiate or to accept the standards encapsulated in EU negotiating positions. But this is symptomatic of a broader range of tensions over the appropriate aims and framing of EU economic diplomacy.

The second type of dilemma that can be examined here is *dilemmas of diplomatic coordination and focus*. It was noted earlier that EU-China relations were carried on at several different and intersecting levels and in a number of linked policy domains. To put it concisely, EU-China relations are simultaneously bilateral, bi-multilateral, inter-regional, and multilateral, and these different levels carry with them often markedly different sets of incentives, communication patterns, and issues of coordination. Two such issues stand out. The first is that of linkage: the mass of linkages between different levels and different issue areas means that EU economic diplomacy has to take account of the potential externalities from each level in relation to others, and this can produce “gaps” and potentially, costly failures. Because the relationship with China is rapidly developing and broad in scope, it carries with it a very wide range of such linkages and potential costs. Thus, for example, the attempt to use the EU’s emissions trading scheme as an instrument of international economic diplomacy in recent years was foiled on the one hand by the problems of emissions trading within the EU itself, but on the other by the rallying of a wide-ranging coalition of opponents, including both the USA and China (Men 2012).

This points to another problem of economic diplomacy: the need for coalition building and coalition management. In situations of complex interdependence, the capacity to forge and maintain coalitions in relation to key issue areas is a central part of diplomatic strategy. One of the most obvious areas in which the EU has attempted such coalition building is that of environmental regulation, and in particular climate change. But it is also one of the most prominent areas of fluctuation in the EU’s capacity to sustain meaningful coalitions. The Copenhagen climate change summit of December 2009 was perhaps the low point of this process for the EU—having approached the summit confident in its ability to build and maintain a coalition favoring a successor to the Kyoto Protocol, it was confronted by opposing coalitions that

rejected its approach and proposed alternatives (Vogler 2011). One of the key coalitions in this case was that between the USA and China—two of the EU's most significant “strategic partners.” Although the situation has been improved since Copenhagen, not least by changed positions on the part of Beijing and a more modest approach on the part of the EU, the potential for such coalition politics remains substantial as a successor to Kyoto is sought over the period up to 2015.

Coordination in economic diplomacy thus raises key issues for EU-China relations. Both these issues and those relating to dilemmas of orientation feed into the third set of dilemmas to be examined here: *dilemmas of effectiveness and impact*. Much of the attention paid to EU diplomacy recently has been focused on processes and on outputs—in other words, the working of the post-Lisbon institutional framework and the capacity of the EU to act (subject of course to the problems of orientation and coordination discussed above). While this is important, and a natural focus during the embedding in of the new structures, it deflects attention from a simple question: what difference does EU economic diplomacy make? One way of addressing this question in the context of EU-China relations is to examine the stated aims of EU policies, and then compare them with the outcomes. One of the most clearly and frequently stated aims of EU economic diplomacy in relation to China has been the incorporation of that country into the multilateral trading system, and the exercise of multilateral disciplines on Beijing in the global political economy. In this, it can be said that the EU has been successful at the macro level, since the Chinese have become members of the WTO and are engaged in a number of other key multilateral frameworks such as that provided by the G20. But of course, the EU has not been the only force engaged in the attempt to bring China into the multilateral framework; the USA has been a persistent influence and its desire to make China a “responsible stakeholder” in global governance of trade and associated areas has been stated decisively not only by the White House but also (and sometimes in a more partisan way) by Congress.

Despite this apparent success at the broadest multilateral level, the EU has found it more difficult to contain or manage the Chinese as the policy issues become more specific and the need for negotiation more immediate. The EU does have weapons to deploy, in the shape of its trade defense and trade promotion instruments, but these have not always proved to be effective. One reason for this is the fragmentation of interests within the EU, as noted above—diplomacy is difficult to conduct where there are conflicting perceptions of the interests that are being pursued, and in some cases, the active pursuit of national economic diplomacies alongside the EU's activities. Thus, the economic diplomacies pursued by France, Germany, and the UK towards Beijing may or may not support the efforts made through the Brussels machinery; where that machinery itself is subject to questioning and contention, as in the case of investment, then negotiation and communication are unlikely to be very effective.

Another reason for the relative ineffectiveness of EU economic diplomacy in EU-China relations is the extent to which it implicitly or explicitly calls for the restructuring of domestic institutions and policy processes in China itself. It is here that one becomes very conscious of the limits of economic diplomacy, since many of the policies and norms espoused by the EU imply significant structural change—for example, in environmental policy, investment rules or employment law—which is unlikely to be readily forthcoming from Beijing. Such situations are not really susceptible to diplomacy, and the tendency in the EU to call for structural changes is unlikely to be

successful in the short or medium terms. This said, it is apparent that the “softer” versions of EU intrusion into Chinese domestic policies, for example through sectoral working groups or networks, can have a more far-reaching effect on business practices in China, and that these may feed back into change at the regional or national level.

The picture presented in this section is thus one of tensions and sometimes contradictions. The three types of dilemma set out here are not unique to EU-China relations—indeed, they could be said to lie at the heart of all economic diplomacy in a globalizing world—but they are focused in specific and significant ways by those relations. Dilemmas of orientation are given added point by the rapid change characteristic of the relationship and by the need to adapt and adjust in light of a dynamic set of challenges. Dilemmas of coordination are especially taxing in a situation of increasingly complex interdependence, where there are extensive linkages between issues and arenas. Dilemmas of impact and effectiveness can be felt particularly sharply where there are important structural, cultural, and attitudinal differences between negotiating partners and where the balance of power between them is rapidly changing. Each of these types of dilemma provides us with a way of penetrating the multi-layered and multidimensional EU-China relationship, and evaluating the extent to which the EU has managed to overcome the problems with which it is faced.

Conclusions: the limits of EU economic diplomacy

A significant treatment of the EU's role in the global political economy has defined the Union as a “conflicted trade power” (Meunier and Nicolaidis 2006), and the treatment in this article seems to bear out that definition. If we take EU economic diplomacy as entailing deliberation, representation, communication, negotiation, and feedback/learning, as discussed at the beginning of this article, we can see that:

- Deliberation is subject to a wide range of institutional and other fragmenting forces, and in the case of China, these are especially salient, because of the uneven impact of the “China problem” on different groups within the EU.
- Representation is a matter of internal negotiation as well as external competence, and the EU can be “represented” in many different ways depending on issues and arenas; tensions between different forms of representation and different types of representatives are built into the system.
- Communication is a source of challenges, given the multiple channels that exist between the EU and China, and the need to coordinate the messages transmitted through these channels. The existence of several layers of representation and channels of communication can be seen as a potentially disabling factor in the pursuit of effective EU economic diplomacy.
- Negotiation is complicated by the fact that it takes place on a number of interrelated ‘tables’ and via a number of different types of representative. The major international agreement between the EU and China remains the 1985 Trade and Cooperation Agreement, and this situation reflects both the lack of desire in China to enter into new and potentially politicized commitments and the inability of the EU to put together a comprehensive negotiation package. In default of a comprehensive agreement of the type reflected in the proposed Partnership and

Cooperation Agreement, economic diplomacy conducted through the Commission and with the use of “European” trade defense and trade promotion instruments remains the dominant mode of negotiation.

- Finally, feedback, learning, and adjustment processes in EU economic diplomacy are obscured by a number of factors: the multidimensional nature of the EU-China relationship, the inter-institutional tensions that are often close to the surface in Brussels, and the difficulties of orientation, coordination, and effectiveness as pointed out in this paper. The EU may or may not be a “learning organization”—but it is undeniable that one of its problems is that learning takes place in different ways in different parts of the Brussels machinery, and that it is difficult to coordinate the ways in which feedback is evaluated and acted upon.

One of the results of these contending forces is that the aims of EU economic diplomacy as pursued towards China are both multiple and often in conflict. A summary of major EU aims might include the following: defense or promotion of EU economic interests; the promotion of EU actorness and legitimacy; the containment of “rising powers” in the global political economy; contributing to global and regional economic governance; linking to political and security interests; promoting EU norms as the basis for restructuring of the global political economy and specific national economies. The problem is that these aims have to be pursued in respect to EU-China relations within a rapidly changing context, in which the EU has been enfeebled by economic crisis, and in which global or regional structures are increasingly contested. What this means is that the limits of EU economic diplomacy are tested by EU-China relations in at least two ways: first, by the fluidity of the boundaries between economic diplomacy and other aspects of the EU’s external activities; and second, by the forces shaping the capacity of the EU to make a difference through economic diplomacy. The warnings from Beijing in early June 2013 that the EU needed to recognize the limits imposed by its declining power when pursuing its economic diplomacy (Hille 2013) came as a timely reminder that the EU may be a market and trade superpower but one suffering major internal and external constraints.

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